



JOHN CHIANG
California State Controller

July 25, 2012

Andrew Dunn, Vice Chancellor
Administrative Services
Coast Community College District
1370 Adams Avenue
Costa Mesa, CA 92626

Dear Mr. Dunn:

The State Controller's Office reviewed the costs claimed by Coast Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2009, through June 30, 2010. Our review was limited to validating the authorized health service fees that the district reported and any expenses and revenues related to athlete or employee physicals.

The district claimed and was paid \$137,968 for the mandated program. Our review disclosed that \$437 is allowable and \$137,531 is unallowable. The costs are unallowable because the district understated authorized health service fees, offsetting savings/reimbursements, direct costs, and indirect costs, as described in the attached Summary of Program Costs (Attachment 1) and in the Findings and Recommendations (Attachment 2). The State will offset \$137,531 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

Attachments

RE: S12-MCC-903

cc: Ed Hanson, Principal Program Budget Analyst
Education Systems Unit, Department of Finance
Christine Atalig, Auditor, Fiscal Services Unit
California Community Colleges Chancellor's Office
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2009, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
Athlete and employee physicals:				
Direct costs	\$ 1,420	\$ 1,420	\$ —	
Indirect costs	437	437	—	
Total direct and indirect costs	1,857	1,857	—	
Less offsetting savings/reimbursements	—	(1,420)	(1,420)	Finding 2
Total program costs, athlete and employee physicals	1,857	437	(1,420)	
All other health services:				
Direct costs	1,484,398	1,485,818	1,420	Finding 2
Indirect costs	456,898	457,335	437	Finding 2
Total direct and indirect costs	1,941,296	1,943,153	1,857	
Less authorized health service fees	(1,805,185)	(1,967,547)	(162,362)	Finding 1
Subtotal	136,111	(24,394)	(160,505)	
Review adjustments that exceed costs claimed	—	24,394	24,394	
Total program costs, all other health services	136,111	—	(136,111)	
Total program costs	\$ 137,968	437	\$ (137,531)	
Less amount paid by the State		(137,968)		
Allowable costs claimed in excess of (less than) amount paid		\$ (137,531)		

¹ See Attachment 2, Findings and Recommendations.

Attachment 2— Findings and Recommendations July 1, 2009, through June 30, 2010

FINDING 1— Understated authorized health service fees

The district understated authorized health service fees by \$162,362. The district understated health service fees because it did not identify the correct student enrollment and did not use the authorized rates to calculate total authorized fees.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing, or (2) are attending a community college under an approved apprenticeship training program. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). For fiscal year 2009-10, the authorized health service fee rates were \$14 for the summer session and \$17 for the fall and spring semesters. However, the district calculated authorized health service fees using incorrect rates of \$13 and \$16, respectively.

We obtained student enrollment and apprenticeship program enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its management information system (MIS) based on student data that the district reported. The CCCCCO identified the district’s enrollment based on its MIS data element STD7, codes A through G. The CCCCCO eliminated any duplicate students based on their social security numbers. The district understated its enrollment when calculating authorized health service fees. The district understated its enrollment because it used enrollment figures that excluded MIS data element STD7, codes D, E, and G.

The following table shows the authorized health service fee calculation and review adjustment:

	Period			
	Summer Session	Fall Semester	Spring Semester	Total
Fiscal Year 2009-10:				
Number of enrolled students	17,351	52,328	49,121	
Authorized health service fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$ (242,914)</u>	<u>\$ (889,576)</u>	<u>\$ (835,057)</u>	\$ (1,967,547)
Less authorized health service fees claimed				<u>1,805,185</u>
Review adjustment, FY 2009-10				<u>\$ (162,362)</u>

Recommendation

We recommend that the district deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on CCCCO data element STD7, codes A through G. The district should eliminate duplicate entries for students who attend more than one of the district's colleges. In addition, we recommend that the district maintain documentation that identifies any students the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1).

**FINDING 2—
Understated offsetting
revenue/reimbursement,
direct costs, and indirect
costs**

The district understated offsetting revenues/reimbursements by \$1,420 because it included the associated revenues as an offset to direct costs claimed. As a result, the district also understated direct and indirect costs.

The district performed athlete physicals and collected revenue for each physical performed. The district stated that the revenue collected was equivalent to the district's direct costs incurred to perform the physicals. The following table identifies the offsetting revenue/reimbursement that the district reported as an offset to direct costs claimed:

	Orange Coast College	Golden West College	Total
Number of athlete physicals performed	37	10	
Revenue per athlete physical	× \$(30)	× \$(31)	
Total offsetting savings/reimbursements	<u>\$ (1,110)</u>	<u>\$ (310)</u>	\$ (1,420)
Offsetting savings/reimbursements claimed			—
Audit adjustment, offsetting savings/reimbursements			<u>\$ (1,420)</u>

Because we identified the athlete physical revenue collected as offsetting savings/reimbursements by removing the revenue from direct costs claimed, this resulted in an increase to total direct and indirect costs. The following table summarizes the audit adjustment for direct and indirect costs:

	Audit Adjustment
Direct costs	\$ 1,420
Indirect costs (30.78% × direct costs)	437
Total	<u>\$ 1,857</u>

The program's parameters and guidelines state:

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

Recommendation

We recommend that the district properly identify revenue collected in its accounting records and report revenue collected as offsetting savings/reimbursements on its mandated cost claims.